

Message Text

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PAGE 01 GENEVA 05893 01 OF 02 061823Z

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ACTION EB-11

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LIMITED OFFICIAL USE SECTION 1 OF 2 GENEVA 5893

ROME FOR FODAG

E.O. 11652: N/A

TAGS: ETRD, EMIN, UNCTAD

SUBJ: UNCTAD: INTENSIVE COMMODITY CONSULTATIONS AND
COMMITTEE ON TUNGSTEN

SUMMARY: COMMITTEE ON TUNGSTEN AND INTENSIVE CONSULT-
ATIONS ON TUNGSTEN ENDED WITH COMMITTEE AGREEMENT
(AFTER RECEIVING REPORT FROM CONSULTATIONS) HAVE
WORKING GROUP EXAMINE "SPECIAL CHARACTERISTICS" OF
TUNGSTEN MARKET AND FEASIBILITY ALTERNATIVE MEASURES
FOR BRINGING ABOUT GREATER PRICE STABILITY. CONSULTATIONS
WERE UNABLE AGREE ON WHETHER UNCTAD PROGRAM OF INTENSIVE
CONSULTATIONS ENVISAGED INCLUSION OF PROCESSED AND
SEMI-PROCESSED COMMODITIES; DIFFERING VIEWS REFLECTED
IN REPORT. MEETING CHARACTERIZED BY LACK OF
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PAGE 02 GENEVA 05893 01 OF 02 061823Z

LEADERSHIP AND CLEAR OBJECTIVES ON PART OF SECRETARIAT

AND DEVELOPING COUNTRIES. TO EXTENT LEADERSHIP EXERCISED BY PRODUCING COUNTRIES, IT CAME FROM DEVELOPED, PRODUCER COUNTRIES, PARTICULARLY AUSTRALIA. U.S. STOCKPILE DISPOSAL PROGRAM WAS MILDLY CRITICIZED BUT DID NOT BECOME ISSUE WHEN USDEL SHOWED FIRST TWO SALES DID NOT CREATE ADVERSE MARKET RESULTS. PRC PRESENT AS OBSERVER IN COMMITTEE BUT DID NOT ATTEND CONSULTATIONS. END SUMMARY.

1. TWO UNCTAD MEETINGS WERE HELD WEEK OF OCT 29 DISCUSS TUNGSTEN. MEETING OF COMMITTEE ON TUNGSTEN (COMMITTEE) COMPLETELY OVERSHADOWED BY INTENSIVE INTERGOVERNMENTAL CONSULTATIONS ON TUNGSTEN (CONSULTATIONS) UNDER RES 7(VII) OF COMMITTEE ON COMMODITIES. BOTH MEETINGS ELECTED ECHAZU (BOLIVIA) CHAIRMAN AND EVANS (UK) VICE-CHAIRMAN/ RAPPORTEUR.

2. CONSULTATIONS SUFFERED FROM LACK OF LEADERSHIP AND PRECISE SET OF OBJECTIVES. MUCH TIME WASTED BECAUSE OF RELUCTANCE OF DELS TO STATE POSITIONS, PROCEDURAL DIFFICULTIES ARISING FROM CONSECUTIVE AND PARTLY INTERLACED MEETINGS OF COMMITTEE AND CONSULTATIONS, SECRETARIAT INEPTITUDE AND INDECISIVE CHAIRMAN. PRINCIPAL PRODUCER LEADERSHIP AND INITIATIVES CAME FROM DEVELOPED, PRODUCING COUNTRIES (NOTABLY AUSTRALIA AND TO MUCH LESSER EXTENT CANADA), BUT THESE INITIATIVES BETRAYED SOME AMBIVALENCE ON PROCEDURAL ISSUES WHICH MIGHT SET UNDESIRABLE PRECEDENT FOR THESE GROUP B COUNTRIES AT FUTURE CONSULTATIONS. PRC ASSUMED SEAT OF CHINA (FORMERLY ROC) ON COMMITTEE BUT INSISTED IN PARTICIPATING ONLY AS OBSERVER. IT MADE USUAL IDEOLOGICAL SPEECH DEL MAKES AT OTHER UNCTAD MEETINGS WITHOUT COMMENTING ON SUBSTANCE. PRC WAS NOT PRESENT AT CONSULTATIONS. NORTH KOREA DID NOT ATTEND EITHER MEETING.

3. FRENCH DEL CREATED SEMI-CRISIS ATMOSPHERE AT OPENING OF CONSULTATIONS WHEN HE CHALLENGED SECRETARIAT DESCRIPTION OF CONSULTATIONS AS INCLUDING PROCESSED FORMS OF COMMODITIES (PARA 13, TD/B/C.1/CONS/L1). COMMISSION OF EC LATER STATED CONSULTATIONS CONFINED TO PRIMARY COMMODITIES, I.E., THOSE NOT IN PROCESSED OR SEMI-PROCESSED FORM. LDCS, SOCIALIST COUNTRIES PLUS AUSTRALIA AND CANADA WOULD NOT LIMITED OFFICIAL USE

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PAGE 03 GENEVA 05893 01 OF 02 061823Z

ACCEPT FOREGOING PARTICULARLY AS RELATED TO TRADE LIBERALIZATION. OPPOSING POINTS OF VIEW SET FORTH IN REPORT AND LANGUAGE ADDED TO AGREED CONCLUSIONS TO ALLOW FOR POSSIBLE REOPENING OF ISSUE.

4. MARKET ACCESS. DURING BRIEF DISCUSSION OF MARKET ACCESS, PRODUCING COUNTRIES (LED BY AUSTRALIA) AGAIN TURNED TO QUESTION OF PROCESSED PRODUCTS. PRODUCERS WANTED

SECRETARIAT STUDY OF TRADE BARRIERS ON VARIOUS STAGES OF PROCESSING OF TUNGSTEN BEYOND ORE AND CONCENTRATE FOR CONSIDERATION AT SUBSEQUENT MEETING OF TUNGSTEN WORKING GROUP WITH VIEW TO HAVING TARIFFS REDUCED OR ELIMINATED OUTSIDE MTN. CONSUMERS (INCLUDING U.S.) WOULD NOT ACCEPT FOREGOING. EC COMMISSION EVEN UNWILLING INSERT LANGUAGE THAT DUTIES RELATING TO VARIOUS STAGES OF PROCESSING ARE QUESTION FOR MTN. U.S. TARIFF ON TUNGSTEN ORE NEVER AROSE AS AN EXPLICIT ISSUE. AGREED CONCLUSION CONTAINS VAGUE AND INDIRECT REFERENCE TO MARKET ACCESS WITHOUT ANY CLEAR RECOMMENDATION (SEE PARA 7).

5. PRICING POLICY. MAIN ISSUE FOR PRODUCING COUNTRIES AT CONSULTATIONS WAS CLEARLY WHAT THEY CONSIDERED BE CURRENT DEPRESSED PRICES FOR TUNGSTEN ORE AND CONCENTRATES. PRODUCERS, HOWEVER, NOT SURE WHAT FORM REMEDIAL ACTION SHOULD TAKE. THERE WAS MUCH TALK ABOUT COMMODITY AGREEMENT BUT NO REAL CONVICTION (EVEN ON PART OF SECRETARIAT) THAT AN AGREEMENT WOULD BE BEST WAY HANDLE PROBLEM. EC COMMISSION REITERATED POLICY IN FAVOR OF WORLDWIDE COMMODITY AGREEMENTS FOR PRIMARY COMMODITIES. IT NOTED VARIOUS PRACTICAL DIFFICULTIES OF AN AGREEMENT ON TUNGSTEN AND EXPRESSED SKEPTICISM ON USING TIN AGREEMENT AS MODEL BUT NONETHELESS SAID WILLING STUDY FEASIBILITY OF A TUNGSTEN AGREEMENT. GERMANY JOINED U.S. IN STATING TUNGSTEN AGREEMENT UNLIKELY BE ANSWER TO PROBLEM, MUCH TO IRRITATION OF COMMISSION REP. CONCEPT OF SOME FORM OF "REFERENCE PRICE" ALSO DISCUSSED BUT WITHOUT CLEAR DEFINITION. (FRENCH USED TERM INITIALLY TO REFER TO NEED FOR BETTER ESTIMATE OF CURRENT MARKET PRICE BUT BOLIVIAN CHAIRMAN MISUNDERSTOOD AND SEIZED ON IT AS A MINIMUM PRICE OBJECTIVE.) USDEL POINTED TO UNEXPLAINED ANOMALIES IN MARKET AND NEED DEFINE CAUSES OF PROBLEMS BEFORE ANY ACTIONS PROPOSED. ALL CONSUMERS (AND NOTABLY FRANCE) EMPHASIZED IMPORTANCE LIMITED OFFICIAL USE

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PAGE 04 GENEVA 05893 01 OF 02 061823Z

PARTICIPATION OF MAIN PRODUCERS (READ PRC) AT FUTURE MEETINGS ON TUNGSTEN.

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PAGE 01 GENEVA 05893 02 OF 02 061906Z

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ACTION EB-11

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LIMITED OFFICIAL USE SECTION 2 OF 2 GENEVA 5893

6. U.S. STOCKPILE POLICY. U.S. STOCKPILE DISPOSAL POLICY CAME IN FOR SOME MILD CRITICISM. HOWEVER, FACTS PRESENTED BY USDEL (AND CONFIRMED BY UK EXPERT FROM TRADE) ON PRICE MOVEMENTS IN WAKE OF FIRST TWO SALES HAD CALMING EFFECT AND DID MUCH TO REMOVE STOCKPILE SALES AS AN ISSUE IN CONSULTATIONS. GENERAL THEME WAS THAT U.S. SHOULD CONTINUE TO ACT RESPONSIBLY.

7. AGREED CONCLUSIONS. PRODUCERS SEEMED HAVE ONLY VAGUE IDEA ON FORM AND CONTENT OF FINAL RESULT OF CONSULTATIONS. LDC PRODUCING COUNTRIES AT FIRST SUGGESTED SPECIFIC MANDATE STUDY FEASIBILITY OF COMMODITY AGREEMENT BUT DROPPED THIS IDEA APPARENTLY AT BEHEST CANADA AND AUSTRALIA. USDEL WITH GERMAN ASSIST SUCCEEDED IN FOCUSING ATTENTION ON STUDYING OF TUNGSTEN MARKET CONDITIONS AND OF ALTERNATIVE MEASURES. SUBSTANCE OF AGREED CONCLUSIONS OF COMMITTEE ON TUNGSTEN (AFTER IT RECEIVED AGREED CONCLUSIONS LIMITED OFFICIAL USE

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PAGE 02 GENEVA 05893 02 OF 02 061906Z

OF CONSULTATIONS) WERE AS FOLLOWS: (A) WORKING GROUP IS TO UNDERTAKE, IN PARTICULAR, IN-DEPTH EXAMINATION OF SPECIAL CHARACTERISTICS OF TUNGSTEN MARKET AND FEASIBILITY OF ALTERNATIVE EFFECTIVE MEASURES FOR BRINGING ABOUT GREATER PRICE STABILITY AT REMUNERATIVE AND EQUITABLE PRICE LEVELS, AND AT HIGH AND GROWING LEVEL OF SUPPLY AND DEMAND. IN PURSUING WORK, SECRETARIAT IS TO TAKE INTO

ACCOUNT GENERAL OBJECTIVES OF RES 7(VII) AND COMMENTS AND SUGGESTIONS MADE AT TWO MEETINGS. (THIS IDEA ADDED TO MEET LDC INSISTENCE ESTABLISH INDIRECT LINK FOR POSSIBLE FUTURE WORK ON MARKET ACCESS.); (B) SECRETARIAT TO PREPARE BACKGROUND DOCUMENTATION WITH SUCH EXPERT ASSISTANCE AS NECESSARY; (C) WG SHOULD MEET ASAP IN 1974 AND REPORT TO COMMITTEE ON TUNGSTEN WHICH IN TURN REPORTS TO COMMITTEE ON COMMODITIES. CITING PRESSURE OTHER COMMODITY CONSULTATIONS, U.S. URGED THAT WG NOT MEET UNTIL AFTER MID-YEAR.

8. PROCEDURAL ISSUES. PROCEDURAL OBJECTIVE OF SECRETARIAT (WITH HELP FROM CONFUSED CHAIRMAN) WAS TO RECONVENE CONSULTATIONS AFTER DIRECTING TUNGSTEN COMMITTEE'S WORKING GROUP TO PREPARE STUDIES. SECRETARIAT APPEARED TO BE TRYING ESTABLISH PRECEDENT MAKE CONSULTATIONS (RATHER THAN COMMITTEE) RESPONSIBLE FOR FOLLOW-UP ACTION AND REPORTING TO GOVERNMENTS AND COMMITTEE ON COMMODITIES. USDEL AND OTHERS CONVINCED CHAIRMAN APPROPRIATE COURSE OF ACTION WAS TO HAVE CONSULTATIONS REPORT TO COMMITTEE ON TUNGSTEN, WHICH IN TURN WOULD DECIDE WHETHER AND HOW TO ACT ON CONSULTATION'S REPORT. WHILE THERE WERE SOME REFERENCES AT END OF TUNGSTEN CONSULTATIONS TO RECONVENING THIS BODY, THERE WAS NO EXPLICIT RECOMMENDATION TO THIS END. PRECEDENT FOR OTHER COMMODITY CONSULTATIONS WOULD APPEAR BE AS FOLLOWS: CONSULTATIONS REPORT TO PARENT BODY (IN THIS CASE, TUNGSTEN COMMITTEE), WHICH IN TURN DECIDES WHETHER AND HOW TO ACT ON CONSULTATION'S CONCLUSIONS AND/OR RECOMMENDATIONS. PARENT BODY THEN REPORTS TO GOVERNMENTS AND COMMITTEE ON COMMODITIES.

9. OTHER ISSUES. FOLLOWING OTHER ACTIONS TAKEN BY COMMITTEE: (A) QUESTIONNAIRE ON TUNGSTEN ORE RESERVES APPROVED; (B) WG PERMANENTLY EXPANDED BY FIVE (UK, NETHERLANDS, JAPAN, GERMANY, USSR) BUT AT FRENCH INSISTENCE NEXT SESSION WILL LIMITED OFFICIAL USE

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PAGE 03 GENEVA 05893 02 OF 02 061906Z

BE OPEN TO ALL INTERESTED GOVERNMENTS; (C) NO DECISION REACHED ON WHETHER SECRETARIAT SHOULD DO MARKETING AND DISTRIBUTION STUDY UNDER RES 78(III). REPORT SIMPLY SETS FORTH OPPOSING VIEWS.
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